

Registered No. 02717838

**Matchesfashion Limited**  
**Consolidated financial report**  
**for the year ended 31 January 2020**



# Matchesfashion Limited

Company Registration No. 02717838 (United Kingdom)

## Company Information

**Directors** A Kavan  
F Greiner

**Company number** 2717838

**Registered office** The Shard  
32 London Bridge Street  
London SE1 9SG

**Independent auditors** PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London WC2N 6RH

**Bankers** Wells Fargo Capital Finance  
5th Floor, No. 1 Bread Street  
London EC4M 9BE

HSBC Bank Plc  
West End CBC  
70 Pall Mall  
London SW1Y 5EY

**Lawyers** White and Black Legal LLP  
Chalford Park  
Oxford Road  
Old Chalford  
Oxfordshire OX7 5QR

Brecher LLP  
4<sup>th</sup> Floor  
64 North Row  
London W1K 7DA

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## Group strategic report for the year ended 31 January 2020

The directors present the group strategic report for the year ended 31 January 2020.

### Review of the business

The principal activity of the group continued to be that of ecommerce retailing, operating from the UK under the principal brand of Matchesfashion. There have been no major changes in the group's core activities in the year under review.

The directors of the group are satisfied with the results of the group for the year ended 31 January 2020. The group continued to scale and grow its Revenue whilst making significant investments in its' operations, technology and infrastructure.

During the year, the group launched a number of initiatives to support the business in realising its full international opportunity for growth.

A fully optimised Japanese website was launched in March 2019. This site is fully translated across all editorial content, email, mobile apps and supported by a native-speaking customer care team. In addition, the group enhanced its operational scalability through capacity increases in the distribution centre, increasing capacity by a further 50%.

The group continued to inspire its customers by bringing to life the new retail concept - 5 Carlos Place via ground-breaking global partnerships with Il Pelicano Hotels and with Frieze contemporary art fairs in Los Angeles, New York and London.

The group underwent significant re-branding during the year via a digital refresh of its site, changing its brand name to MATCHESFASHION and launching its first brand campaign with tactical out of home and social advertising to increase brand awareness.

In March 2020, Ajay Kavan was appointed as CEO, to support and scale the business as it continues to innovate and expand in the luxury e-commerce sector.

In March 2020 the World Health Organization declared the novel strain of Coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide.

### Results and performance

The results for the year and the group's financial position at the end of the year are set out on pages 10-35. The group's Revenue in note 2 was £430m (year ended 31 January 2019: £372m), adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) in note 3 was £4.5m (year ended 31 January 2019: £14.7m) and loss for the financial year was £5.9m (year ended 31 January 2019: profit £0.8m).

The group continues to invest in ecommerce and logistics which has delivered impressive sales growth both in the UK and internationally.

### Key performance indicators (KPIs)

Management drives business performance through the setting of clearly defined and measured key performance indicators (KPIs), taking appropriate action where required to enhance the financial results of the business.

**Group strategic report for the year ended 31 January 2020 (continued)****Key performance indicators (KPIs) (continued)**

The key financial performance indicators that are used to monitor and manage the business are primarily:

	<u>Current year</u>	<u>Prior year</u>	
Year on year revenue growth	15.8%	27.0%	Increase of revenue compared to prior year
Margin	37.2%	39.5%	Gross profit on revenue
Stock turn	1.88	2.02	Cost of sales over closing stock
Net assets	£29.4m	£35.3m	

**Principal risks and uncertainties**

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal control. All policies are subject to board approval and ongoing review by management, risk management and internal audit. Compliance with regulation, legal and ethical standards is a high priority for the company.

The principal risks are reviewed regularly by the board and the executive management team. Updates in terms of emerging risks or significant actions undertaken are addressed as and when required at board meetings. Management also review strategic, operational, financial and compliance risks in regular focused forums during the year.

The COVID-19 pandemic presented a significant business risk, however the group developed a strategy to respond to this risk in order to protect the health and safety of colleagues and customers and to ensure the business was able to continue to operate throughout the crisis. The business took a number of actions to mitigate the short-term financial impact of this risk.

**Financial risk management policy**

The group's financial assets and liabilities, such as cash, trade creditors and trade debtors, arise directly from the group's operating activities.

The main risks associated with the group's financial assets and liabilities are set out below.

**Interest rate risk**

The group has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash balances which earn interest. The group regularly reviews its current cashflow position to ensure certainty of future interest cash flows.

**Credit risk**

The group has external debtors; however, the group undertakes assessments of its customers in order to ensure that credit is not extended where there is a likelihood of default. Cash deposits are held with Wells Fargo Bank who has an 'A2' class credit rating and HSBC Bank plc who has an 'AA-' class credit rating.

**Liquidity risk**

The group aims to mitigate liquidity risk by managing cash generated by its operations.

## Group strategic report for the year ended 31 January 2020 (continued)

### Financial risk management policy (continued)

#### Foreign currency risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to movements between Sterling, US Dollars, Euros, Australian Dollars, Hong Kong Dollars and Japanese Yen.

#### Future outlook

Since the year end the group has strengthened the management team with the appointment of a new CEO Ajay Kavan and created the new role of Chief Strategy Officer to continue to drive the successful growth of the business.

In March 2020, the group launched its Tech hub Here West in Bristol to ensure we continue to innovate and scale with the best technology talent.

Our priority in dealing with the exceptional challenges posed by COVID-19 is to ensure the safety of our customers and colleagues, support our suppliers and maintain the ability to fulfil our customer orders. We are following closely the guidelines of the government and public health authorities. We put in place procedures which ensured the safety of our staff and enabled our distribution centre to continue operating throughout the crisis in order to serve our customers.

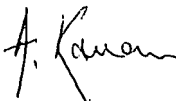
In the first three weeks of the crisis, order demand was significantly down but has since recovered and since early April order demand has continued to improve week on week. Our physical retail stores in London have been closed since 23 March 2020 and planned brand and customer events have been cancelled. This reduced business activity has resulted in the furloughing of 29% of our employees.

In addition, we have maintained close contact with our brands during the crisis. The production plans of the brands were disrupted by the crisis and this is resulting in delays in receiving new season product. We expect that this will impact trade for the remainder of the financial year although the business has taken a number of steps to mitigate the impact.

For further information with respect to the adoption of the going concern basis, please refer to note 1b) to the financial statements.

This group strategic report has been approved by the board.

#### On behalf of the board of directors



A Kavan  
Director  
15 July 2020

The Shard  
32 London Bridge Street  
London SE1 9SG

## Directors' report for the year ended 31 January 2020

The directors present the group strategic report and the audited financial statements of the company and the group for the year ended 31 January 2020. These financial statements represent the year from 1 February 2019 to 31 January 2020.

### Going concern

Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies in Note 1b) to the financial statements.

### Future developments

The group is planning continued growth in both the UK and rest of the world through its e-commerce platform underpinned by investment in stock, marketing and logistics activity. Please refer to the group strategic report in the future outlook.

### Dividends

No dividends were proposed or paid during the year (year ended 31 January 2019: nil).

### Donations

The group has made charitable donations of £9,321 during the year (year ended 31 January 2019: nil).

### Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

F Greiner  
A Kavan (appointed 29 May 2020)  
U Jerome (resigned 21 November 2019)  
T Chapman (resigned 29 May 2020)  
N Hartman (resigned 29 May 2020)

### Research and Development

The group is constantly undertaking development and improvement into its website. During the year the group has capitalised £222,984 (year ending 31 January 2019: £569,527) of website related expenses. The directors believe that this development and improvement will lead to future profits for the group.

### Disabled employees

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees whenever appropriate.

### Employee involvement

During the year, the policy of providing employees with information about the group has been continued through internal media in which employees have also been encouraged to present their suggestions and views on the group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

## Directors' report for the year ended 31 January 2020 (continued)

### Employee involvement (continue)

The group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the group plays a major role in maintaining its growth.

### Directors' duties

A director of a company must act in the way he/she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term,
- the interests of the company's employees,
- the need to foster the company's business relationships with suppliers, customers and others,
- the impact of the company's operations on the community and the environment,
- the desirability of the company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the company.

### Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the statement of comprehensive income of the group and company for that year. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.



**Directors' report for the year ended 31 January 2020 (continued)**

**Directors' confirmations**

In the case of each director in office at the date the directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

**On behalf of the board of directors**



**A Kavan  
Director  
15 July 2020**

The Shard  
32 London Bridge Street  
London SE1 9SG

## Independent auditors' report to the members of Matchesfashion Limited

### Report on the audit of the financial statements

#### Opinion

In our opinion, Matchesfashion Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 January 2020 and of the group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Financial Report (the "Annual Report"), which comprise: the Consolidated Statement of Comprehensive Income for the year to 31 January 2020, the Consolidated and Company Statements of Financial Position as at 31 January 2020, the Consolidated and Company Statements of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

#### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

## Independent auditors' report to the members of Matchesfashion Limited (continued)

### Report on the audit of the financial statements (continued)

#### Reporting on other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 January 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

#### Responsibilities for the financial statements and the audit

##### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

##### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## **Matchesfashion Limited**

Company Registration No. 02717638 (United Kingdom)

### **Independent auditors' report to the members of Matchesfashion Limited (continued)**

#### **Responsibilities for the financial statements and the audit (continued)**

##### **Use of this report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

##### **Other required reporting**

##### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Brian Henderson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
15 July 2020

# **Consolidated Statement of Comprehensive Income** **for the year ended 31 January 2020**

		Year ended 31 January 2020	Year ended 31 January 2019
	Note	£	£
<b>Revenue</b>	2	<b>430,458,932</b>	371,784,425
Cost of sales		<b>(270,376,447)</b>	(225,002,539)
<b>Gross profit</b>		<b>160,082,485</b>	146,781,886
Distribution costs		<b>(71,804,381)</b>	(62,287,611)
Administrative expenses		<b>(95,530,930)</b>	(85,164,497)
Other operating income		<b>3,548,959</b>	3,132,434
<b>Operating (loss)/profit</b>		<b>(3,703,867)</b>	2,462,212
Finance costs	7	<b>(1,896,263)</b>	(636,870)
<b>(Loss)/Profit before taxation</b>		<b>(5,600,130)</b>	1,825,342
Tax on (loss)/profit	8	<b>(290,024)</b>	(1,019,946)
<b>(Loss)/Profit for the financial year</b>		<b>(5,890,154)</b>	805,396

All of the activities of the group relate to continuing operations.

The company has elected to take exemption under section 408 of the Companies Act 2006 not to present the parent company statement of comprehensive income in these financial statements.

# Matchesfashion Limited

Company Registration No. 02717838 (United Kingdom)

## Consolidated Statement of Financial Position as at 31 January 2020

	Note	31 January 2020 £	31 January 2019 £
<b>Fixed assets</b>			
Intangible assets	9	1,065,073	1,595,811
Property, plant and equipment	10	16,709,501	16,016,094
		<u>17,774,574</u>	<u>17,611,905</u>
<b>Current assets</b>			
Inventories	11	144,150,940	111,554,294
Trade and other receivables	12	14,100,893	13,269,753
Cash and cash equivalents	13	14,086,013	10,024,300
		<u>172,337,846</u>	<u>134,848,347</u>
<b>Current liabilities</b>	14	(158,887,182)	(117,123,824)
<b>Net current assets</b>		<u>13,450,664</u>	<u>17,724,523</u>
<b>Total assets less current liabilities</b>		<u>31,225,238</u>	<u>35,336,428</u>
<b>Provisions for other liabilities</b>	15	(1,778,964)	-
<b>Net assets</b>		<u>29,446,274</u>	<u>35,336,428</u>
<b>Capital and reserves</b>			
Called up share capital	19	69,286	69,286
Share premium account		14,639,702	14,639,702
Retained earnings		14,737,286	20,627,440
<b>Total reserves</b>		<u>29,446,274</u>	<u>35,336,428</u>

The financial statements on pages 10 to 35 were approved by the board on 15 July 2020 and signed on its behalf by.



A Kavan  
Director  
Registered No. 02717838

# Matchesfashion Limited

Company Registration No. 02717838 (United Kingdom)

## Company Statement of Financial Position as at 31 January 2020

	Note	31 January 2020 £	31 January 2019 £
<b>Fixed assets</b>			
Intangible assets	9	1,065,073	1,595,811
Property, plant and equipment	10	<u>16,409,704</u>	<u>15,710,395</u>
		<b>17,474,777</b>	<b>17,306,206</b>
<b>Current assets</b>			
Inventories	11	144,150,940	111,554,294
Trade and other receivables	12	13,842,820	13,036,835
Cash and cash equivalents	13	<u>13,945,677</u>	<u>9,976,726</u>
		<b>171,939,437</b>	<b>134,567,855</b>
<b>Current liabilities</b>	14	<b>(159,830,532)</b>	<b>(117,113,148)</b>
<b>Net current assets</b>		<u><b>12,108,905</b></u>	<u><b>17,454,707</b></u>
<b>Total assets less current liabilities</b>		<u><b>29,583,682</b></u>	<u><b>34,760,913</b></u>
<b>Provisions for other liabilities</b>	15	<b>(1,778,964)</b>	-
<b>Net assets</b>		<u><b>27,804,718</b></u>	<u><b>34,760,913</b></u>
<b>Capital and reserves</b>			
Called up share capital	19	69,286	69,286
Share premium account		14,639,702	14,639,702
Retained earnings		<u>13,095,730</u>	<u>20,051,925</u>
<b>Total reserves</b>		<u><b>27,804,718</b></u>	<u><b>34,760,913</b></u>

The loss for the parent company for the year was £6,956,195 (2019: profit of £359,775).

The financial statements on pages 10 to 35 were approved by the board on 15 July 2020 and signed on its behalf by.



A Kavan  
Director  
Registered No. 02717838

# Matchesfashion Limited

Company Registration No. 02717838 (United Kingdom)

## Consolidated Statement of Changes in Equity for the year ended 31 January 2020

	Called up share capital	Share Premium account	Retained earnings	Total reserves
	£	£	£	£
Balance as at 1 February 2018	69,286	14,639,702	19,822,044	34,531,032
Profit for the financial year	-	-	805,396	805,396
Balance as at 31 January 2019	69,286	14,639,702	20,627,440	35,336,428
Balance as at 1 February 2019	69,286	14,639,702	20,627,440	35,336,428
Loss for the financial year	-	-	(5,890,154)	(5,890,154)
Balance as at 31 January 2020	69,286	14,639,702	14,737,286	29,446,274

## Company Statement of Changes in Equity for the year ended 31 January 2020

	Called up share capital	Share Premium account	Retained earnings	Total reserves
	£	£	£	£
Balance as at 1 February 2018	69,286	14,639,702	19,692,150	34,401,138
Profit for the financial year	-	-	359,775	359,775
Balance as at 31 January 2019	69,286	14,639,702	20,051,925	34,760,913
Balance as at 1 February 2019	69,286	14,639,702	20,051,925	34,760,913
Loss for the financial year	-	-	(6,956,195)	(6,956,195)
Balance as at 31 January 2020	69,286	14,639,702	13,095,730	27,804,718



# Matchesfashion Limited

Company Registration No. 02717838 (United Kingdom)

## Consolidated Statement of Cash Flows for the year ended 31 January 2020

	Note	Year ended 31 January 2020 £	Year ended 31 January 2019 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	20	13,290,434	19,087,770
Income tax paid		(31,029)	(1,184,926)
<b>Net cash generated from operating activities</b>		<b>13,259,405</b>	<b>17,902,844</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(7,489,971)	(11,917,038)
Purchase of intangible assets	9	(259,706)	(612,345)
<b>Net cash used in investing activities</b>		<b>(7,749,677)</b>	<b>(12,529,383)</b>
<b>Cash flows from financing activities</b>			
Interest paid	7	(1,896,263)	(636,870)
<b>Net cash used in financing activities</b>		<b>(1,896,263)</b>	<b>(636,870)</b>
<b>Net increase in cash and cash equivalents during the year</b>		<b>3,613,465</b>	<b>4,736,591</b>
Cash and cash equivalents at the beginning of the year		10,024,300	5,447,079
Exchange gains/(losses) on cash and cash equivalents		448,248	(159,370)
<b>Cash and cash equivalents at the end of the year</b>	13	<b>14,086,013</b>	<b>10,024,300</b>

## **Notes to the financial statements for the year ended 31 January 2020**

### **1. Accounting policies**

#### **General information**

Matchesfashion Limited is a private limited company limited by shares. The address of its registered office The Shard, 32 London Bridge Street, London SE1 9SG.

The principal activity and the nature of the group's operations is set out in the group strategic report.

#### **Statement of compliance**

The consolidated and individual financial statements of Matchesfashion Limited have been prepared in compliance with the United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

#### **Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **a) Basic of preparation**

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities measured at fair value through statement of comprehensive income. The financial statements have been prepared under FRS 102.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(v).

##### **b) Going concern**

The director confirms that having reviewed the group's cash requirements for a period of more than 12 months from the date of signing these financial statements, they have a reasonable expectation that the group and parent company has adequate resources to continue in operational existence and to meet its liabilities as and when they fall due. The director has accordingly adopted the going concern basis in preparing these financial statements.

The uncertainty as to the future impact on the group of the COVID-19 pandemic, and resulting uncertainty in the global economy, has been considered as part of the group's adoption of the going concern basis.

COVID-19 is having a material impact on the operations of our business and we are incurring delays in receiving goods from our suppliers. This will impact revenues over the forthcoming months and whilst the full financial impact of the crisis for 2020/21 is impossible to predict with a high degree of certainty, we have considered a range of scenarios to understand potential outcomes on our business and plan appropriately.

Management have performed a thorough scenario planning exercise and have reviewed the consolidated income statement, net current liabilities and cash flow forecasts in conjunction with current and future financing availability.

The exercise considered 2 scenarios, a revised base case and a severe downside case with assumed revenue reductions for the 12 months period ended 31st January 2021 of 6% and over 20%. Each scenario assumed a gradual recovery during the year ended 31 January 2022, but with revenues still over 10% down by the end of that period. For each scenario, management also considered the impact on profitability and cash flows, along with remedial actions. To date the group has performed ahead of

**Notes to the financial statements for the year ended 31 January 2020 (continued)****1. Accounting policies (continued)****b) Going concern (continued)**

scenario 1 due to customer demand being ahead of the assumptions, a focus on cost efficiency and minimising spend on some of our key cost drivers and the ability of the Head Office and Distribution Centre to remain open and operational throughout the period. Management's latest forecast indicates the group will continue to perform broadly in line with the scenario 1 projection.

Central to the director's assumptions is the expectation that the group remains able to perform the majority of its services remotely with the Distribution Centre open and operational: as this has been the case during the Covid-19 pandemic to date, this is considered achievable. The group has experienced no shipping issues with its carrier and delivery to meet customer demand has not been impacted. The scenario planning exercise shows that under the two scenarios the group is able to operate within its existing funding facilities, including covenants, for the foreseeable future.

Further, our investors injected additional funding of £35 million into the group in April 2020 and have made available up to a further £30 million in funding, to be drawn down as the business requires it over the next 12 months.

**c) Basis of consolidation**

The consolidated statement of comprehensive income account and statement of financial position include the financial statements of the group and its subsidiaries undertakings made up to 31 January 2020. Inter-company transactions, balances and unrealised gains or losses on transactions between group companies are eliminated fully on consolidation.

**d) Foreign currency***i) Functional and presentation currency*

The group's functional and presentation currency is the pound sterling.

*ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each year end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

**e) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the group and value added taxes.

The group bases the estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.

**Notes to the financial statements for the year ended 31 January 2020 (continued)****1. Accounting policies (continued)****e) Revenue recognition (continued)**

The group recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the group retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to each of the group's sales channels have been met, as described below.

*i. Sale of goods – retail*

The group operates retail shops for the sale of a range of branded and own branded products. Sales of goods are recognised on sale to the customer, which is considered the point of delivery. Retail sales are usually by cash, credit or payment card.

Sales are made to retail customers with a right to return within 28 days, subject to certain conditions regarding the usage. Accumulated experience is used to estimate and provide for such returns at the time of sale.

The group operates a number of country-based loyalty programmes based on an award of points at the time of individual transactions. On initial recognition the group treats this as two transactions and allocates the consideration received between the award and the other sale components.

*ii. Sale of goods – internet based transactions*

The group sells goods via its websites for delivery to the customer or 'click and collect' at its retail shops. Revenue is recognised when the risks and rewards of the inventory is passed to the customer. For deliveries to the customer this is the point of acceptance of the goods by the customer and for 'click and collect' this is the time of collection. Transactions are settled by credit or payment card.

Provision is made for credit notes based on the expected level of returns which is based on the historical experience of returns.

The total revenue of the group for the year has been derived from its principal activity which were undertaken in the United Kingdom and the United State of America.

All returns within 28 days have been provided in the sales return provision.

**f) Employee benefits**

The group provides a range of benefits to employees, including paid holiday arrangements and defined contribution pension plans.

*i) Short term benefits*

Short term benefits including holiday pay and other similar non-monetary benefits, are recognised as an expense in the year in which the service is received.

*ii) Defined contribution pension plans*

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the statement of financial position. The assets of the plan are held separately from the group in independently administered funds. The contribution charge for this financial year is £1,115,003 (year ended 31 January 2019: 722,426).

**Notes to the financial statements for the year ended 31 January 2020 (continued)****1. Accounting policies (continued)****f) Employee benefits (continued)****iii) Share based payments**

The group provides an equity-settled share-based payment scheme to certain employees.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting year, excluding the impact of any non-market vesting conditions.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when options are exercised. No expense is recognised for awards that are not expected to ultimately vest.

**g) Exceptional items**

The group has adopted an accounting policy and statement of comprehensive income format that seeks to highlight significant items of income and expense for the year. The directors believe that this presentation provide a more helpful analysis as it highlights one-off items. Such items may include significant restructuring costs, profits or losses on disposal or termination of operations, litigation costs and settlements, profit or loss on disposal of investment, significant impairment of assets and dual site decollation costs.

**h) Other operating income**

Other operating income is recognised on an accrual basis in accordance with the substance of the relevant agreement.

**i) Finance Costs**

Costs associated with raising loan finance and equity shares are recorded against the loan principal and share premium account respectively. Loan finance costs are amortised to the statement of comprehensive income over the life of the relevant loan at a constant rate of return on the carrying amount.

**j) Current and deferred income tax**

Taxation expense for the year comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

**i) Current tax**

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**ii) Deferred taxation**

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

**Notes to the financial statements for the year ended 31 January 2020 (continued)****1. Accounting policies (continued)****j) Current and deferred income tax (continued)****ii) Deferred taxation (continued)**

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Net deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

**k) Investments in subsidiaries**

Investments are held as non-current assets at cost less any provision for impairment. Where the recoverable amount of the investment is less than the carrying amount, impairment is recognised.

**l) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation, or valuation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised. Land and buildings include freehold and leasehold factories, retail outlets and offices.

Depreciation is provided at rates calculated to write off the cost of each asset over its expected useful life, as follows:

Leasehold improvements	Over term of respective lease
Furniture and fittings - long life	Over term of respective lease
Furniture and fittings - short life	5 years straight line
Office equipment	5 years straight line
Computer equipment	4 years straight line
Motor vehicles	3 years straight line

Assets in the course of construction are stated at cost. Assets under construction are not depreciated. Repairs, maintenance and minor inspection costs are expensed as incurred.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in statement of comprehensive income.

**m) Intangible assets**

Intangible assets comprise patents and trademarks and website costs that expected to generate future revenues in excess of the costs of developing those websites.

**Patents and trademarks**

The cost of patents and trademarks are capitalised as they have been purchased separately from a business. They are amortised over ten years which is the economic benefits of the legal rights. Amortisation is charged to administrative expenses in the statement of comprehensive income.

**Development costs**

Development costs that are directly attributable to the design and testing of certain major new product projects are recognised as intangible assets when the following criteria are met:

**Notes to the financial statements for the year ended 31 January 2020 (continued)****1. Accounting policies (continued)****m) Intangible assets (continued)****Development costs (continued)**

- it is technically feasible to complete the product projects so that it will be available for use;
- management intends to complete the product projects and use or sell it;
- there is an ability to use or sell the product projects;
- it can be demonstrated how the product projects will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product projects are available; and
- the expenditure attributable to the product projects during its development can be reliably measured.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent year.

**n) Leasing and hire purchase commitments**

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

**i) Finance Lease**

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

**ii) Operating Lease**

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

**iii) Lease incentives**

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.

*Incentives received to enter into an operating lease are credited to the statement of comprehensive income, to reduce the lease expense, on a straight-line basis over the period of the lease.*

The group has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 February 2014) and continues to credit such lease incentives to the statement of comprehensive income over the period to the first review date on which the rent is adjusted to market rates.

**Notes to the financial statements for the year ended 31 January 2020 (continued)****1. Accounting policies (continued)****o) Impairment of non-financial assets**

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income, unless the asset has been revalued when the amount is recognised in the other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the statement of comprehensive income.

If an impairment loss is subsequently reserved, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in the statement of comprehensive income.

**p) Inventories**

Inventories are stated at the lower of cost and estimated selling price less cost to complete and sell. Inventories are recognised as an expense in the year in which the related revenue is recognised. Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition. Inventories consist of raw materials relating to our own label Raey and finished goods relating to other brands. Provision is made for slow moving and defective inventories.

At the end of each reporting year inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of comprehensive income. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of comprehensive income.

**q) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities. Cash at bank and in hand includes cash received from credit card companies within four working days of the financial year end.

**r) Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.



**Notes to the financial statements for the year ended 31 January 2020 (continued)****1. Accounting policies (continued)****s) Provisions and contingencies***(i) Provisions*

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

In particular:

- restructuring provisions are recognised when the group has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring; and
- provision is not made for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

*(ii) Contingencies*

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

**t) Dilapidations provision**

The estimated cost of dilapidations is recognised in leasehold improvements and provisions when the obligation arises and the liability can be reliably estimated. Under the lease agreement, the lessee is obliged to remove assets that it has installed in the leased property. The asset is depreciated in line with the lease term.

**u) Financial instruments**

The group has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

*i) Financial assets*

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting year financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

**Notes to the financial statements for the year ended 31 January 2020 (continued)****1. Accounting policies (continued)****u) Financial instruments (continued)***i) Financial assets (continued)*

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

*ii) Financial liabilities*

Basic financial liabilities, including trade and other payables, bank loans are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

The group does not hold or issue derivative financial instruments.

*iii) Offsetting*

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**v) Critical accounting judgements and key source of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected.

The group manufactures and sells luxury goods and is subject to changing consumer demands and fashion trends. The recoverability of the cost of inventories is assessed every reporting period, by considering the expected net realisable value of inventory compared to its carrying value. Where the net realisable value is lower than the carrying value, a provision is recorded. When calculating inventory provisions, management considers the nature and condition of the inventory, as well as applying assumptions in respect of anticipated saleability of finished goods and future usage of raw materials. Refer to note 11 for further details of the carrying value of inventory.

# Notes to the financial statements for the year ended 31 January 2020 (continued)

## 1. Accounting policies (continued)

### v) Critical accounting judgements and key source of estimation uncertainty (continued)

Provision is made for asset retirement obligations, dilapidations and contingencies. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

## 2. Revenue

The group's store activities relate solely to the retailing of fashion goods in the United Kingdom. The group's online activities relate to the retailing of fashion goods in the United Kingdom and the rest of world.

### Analysis of revenue by classes of business - Group

	Year ended 31 January 2020		Year ended 31 January 2019	
	£	%	£	%
Retail stores activities	18,171,274	4	16,681,838	4
Online activities	412,287,658	96	355,102,587	96
Total revenue	430,458,932	100	371,784,425	100

### Analysis of revenue by geographical market - Group

	Year ended 31 January 2020		Year ended 31 January 2019	
	£	%	£	%
United Kingdom	87,271,415	20	76,605,859	21
United States of America	68,339,170	16	64,271,223	17
Australia	26,198,195	6	22,988,532	6
Far East	148,824,874	34	124,027,008	33
Europe	62,851,482	15	52,468,020	14
Middle East	21,240,150	5	18,839,574	5
Rest of world	15,733,646	4	12,584,209	4
Total revenue	430,458,932	100	371,784,425	100

## Notes to the financial statements for the year ended 31 January 2020 (continued)

### 3. Operating loss and adjusted EBITDA (earnings before interest, tax, depreciation and amortisation)

Operating profit is stated after charging/(crediting):

Group	Year ended 31 January 2020 £	Year ended 31 January 2019 £
Depreciation of property, plant and equipment		
– own assets	6,674,739	3,268,258
– lease assets	121,825	97,702
Amortisation of intangible assets	704,830	1,068,135
Amortisation of goodwill and trademarks	85,614	65,978
Operating lease charges	6,929,580	6,030,006
Research and development	2,111,616	2,587,090
Foreign exchange (gains)/losses	(1,236,855)	422,525
Salaries and wages (note 6)	49,594,822	42,563,190
Auditors' remuneration	118,125	84,000
Other operating income*	(3,548,959)	(3,132,434)

\* Other operating income comprises commission received, advertising income, insurance claims settled, R&D credit and brand contribution.

Adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) is calculated as follows:

Group	Year ended 31 January 2020 £	Year ended 31 January 2019 £
<b>Operating (loss)/profit</b>	<b>(3,703,867)</b>	<b>2,462,212</b>
Exceptional items	613,537	7,773,743
Depreciation of property, plant and equipment	6,796,564	3,365,960
Amortisation of intangible assets	704,830	1,068,135
Amortisation of goodwill and trademarks	85,614	65,978
<b>Adjusted EBITDA</b>	<b>4,496,678</b>	<b>14,736,028</b>

## Notes to the financial statements for the year ended 31 January 2020 (continued)

### 4. Exceptional items - Group

During the year to 31 January 2020, exceptional costs of £0.6m were included within operating profit. £0.5m relates to the pre-opening cost for the additional site in Here East and the new language site. £0.1m relates to the Voluntary Disclosure Agreement in USA to minimise the sales tax nexus risk prior to registering for sales tax.

The main components of the exceptional charge are as follows:

	Year ended 31 January 2020 £	Year ended 31 January 2019 £
Relocation of distribution centre costs	-	2,258,764
New and vacant properties costs	522,304	1,070,078
Voluntary Disclosure of US sales tax	91,233	4,444,901
	<b>613,537</b>	<b>7,773,743</b>

### 5. Directors' emoluments - Group

	Year ended 31 January 2020 £	Year ended 31 January 2019 £
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The directors' emoluments for the group were as follow:

<b>Aggregate emoluments</b>	-	-
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The amounts in respect of the highest paid director for the group are as follows

<b>Highest emoluments</b>	-	-
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As at 31 January 2020 there were no (31 January 2019: Nil) director receiving emoluments.

### Key management compensation

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 January 2020 £	Year ended 31 January 2019 £
<b>Aggregate emoluments</b>	<b>1,360,113</b>	<b>1,050,425</b>

# **Notes to the financial statements for the year ended 31 January 2020 (continued)**

## **6. Employee information**

The monthly average number of persons (including directors) employed by the group during the year was:

<b>Group</b>	<b>Year ended 31 January 2020</b>	<b>Year ended 31 January 2019</b>
	<b>Number</b>	<b>Number</b>
By activity:		
Production	16	12
Selling and distribution	81	87
Administration	641	583
<b>Total</b>	<b>738</b>	<b>682</b>

The aggregate payroll cost incurred in respect of these employees was:

<b>Group</b>	<b>Year ended 31 January 2020</b>	<b>Year ended 31 January 2019</b>
	<b>£</b>	<b>£</b>
Wages and salaries	44,929,074	38,806,711
Social security costs	3,550,745	3,034,053
Other pension costs	1,115,003	722,426
	<b>49,594,822</b>	<b>42,563,190</b>

Directors' emoluments have been borne by other companies under common group ownership. These directors are also directors or officers of at least one other company within the group. These directors' services to the company do not occupy a significant proportion of their time. As such, these directors do not consider that they have received any remuneration for their incidental services to the company for the periods covered by these financial statements.

## **7. Finance costs - Group**

	<b>Year ended 31 January 2020</b>	<b>Year ended 31 January 2019</b>
	<b>£</b>	<b>£</b>
Interest payable on overdrafts and bank loans	1,896,263	636,870
	<b>1,896,263</b>	<b>636,870</b>

# **Notes to the financial statements for the year ended 31 January 2020 (continued)**

## **8. Tax on (loss)/profit - Group**

	Year ended 31 January 2020	Year ended 31 January 2019
	£	£
(a) Tax expense included in statement of comprehensive income		
<b>Current tax</b>		
Overseas corporation tax on profit for the year	290,024	105,176
Adjustments in respect of prior year	-	603,523
<b>Total current tax</b>	<b>290,024</b>	<b>708,699</b>
<b>Deferred tax</b>		
Origination & reversal of timing differences	26,045	406,902
Adjustments in respect of prior year	(26,045)	(95,655)
<b>Total deferred tax</b>	<b>-</b>	<b>311,247</b>
<b>Tax on (loss)/profit</b>	<b>290,024</b>	<b>1,019,946</b>

### **b) Reconciliation of tax charge**

Tax assessed for the year is higher (2019: higher) than the standard rate of corporation tax in the UK for the year ended 31 January 2020 of 19% (2019: 19%). The differences are explained below:

<b>(Loss)/profit before taxation</b>	<b>(5,600,130)</b>	1,825,342
Tax on (loss)/profit at 19% (2019: 19%)	<b>(1,064,025)</b>	346,815
Effects of:		
Effect of different tax rate of overseas jurisdiction	25,548	(7,963)
Expenses not deductible for tax purposes – fixed assets	447,975	134,916
Expenses not deductible for tax purposes	52,380	86,915
Income not taxable for tax purposes	(51,005)	(108,891)
Group relief claimed	467,458	(377,606)
Adjustments to tax charge in respect of prior year	(26,045)	507,868
Additional credit/(deduction) for R&D expenditure	51,005	58,986
Adjust closing deferred tax to average rate of 19%	85,383	44,530
Adjust opening deferred tax to average rate of 19%	(47,594)	(47,871)
Other permanent differences	1,696	-
Deferred tax not recognised	347,248	382,247
<b>Tax charge for the year</b>	<b>290,024</b>	<b>1,019,946</b>

### **(c) Tax rate changes**

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). The new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the statement of financial position date, its effects are not included in these financial statements; however, it is likely that the overall effect of the change, had it been substantively enacted by the statement of financial position date, the tax expense for the year would be unaffected and the deferred tax asset not recognised would increase.

# **Notes to the financial statements for the year ended 31 January 2020 (continued)**

## **9. Intangible assets**

### **Group**

	<b>Matches Website</b>	<b>Patents and Trademarks</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
At 1 February 2019	4,902,401	374,914	5,277,315
Additions	222,984	36,722	259,706
Disposals	(2,856,208)	-	(2,856,208)
<b>At 31 January 2020</b>	<b>2,269,177</b>	<b>411,636</b>	<b>2,680,813</b>
<b>Accumulated Amortisation</b>			
At 1 February 2019	3,449,458	232,046	3,681,504
Charge for the year	704,830	85,614	790,444
Disposals	(2,856,208)	-	(2,856,208)
<b>At 31 January 2020</b>	<b>1,298,080</b>	<b>317,660</b>	<b>1,615,740</b>
<b>Net book amount at 31 January 2020</b>	<b>971,097</b>	<b>93,976</b>	<b>1,065,073</b>
Net book amount at 31 January 2019	1,452,943	142,868	1,595,811

### **Company**

	<b>Matches Website</b>	<b>Patents and Trademarks</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
At 1 February 2019	4,902,401	374,914	5,277,315
Additions	222,984	36,722	259,706
Disposals	(2,856,208)	-	(2,856,208)
<b>At 31 January 2020</b>	<b>2,269,177</b>	<b>411,636</b>	<b>2,680,813</b>
<b>Accumulated Amortisation</b>			
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Charge for the year	704,830	85,614	790,444
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<b>At 31 January 2020</b>	<b>1,298,080</b>	<b>317,660</b>	<b>1,615,740</b>
<b>Net book amount at 31 January 2020</b>	<b>971,097</b>	<b>93,976</b>	<b>1,065,073</b>
Net book amount at 31 January 2019	1,452,943	142,868	1,595,811



## Notes to the financial statements for the year ended 31 January 2020 (continued)

### 10. Property, plant and equipment

Group	Leasehold Improvements £	Furniture and Fittings £	Office Equipment £	Computer Equipment £	Motor Vehicles £	Total £
<b>Cost</b>						
At 1 February 2019	10,576,702	5,964,807	999,498	7,009,720	24,700	24,575,427
Additions	3,738,043	1,641,185	133,975	1,976,768	-	7,489,971
Disposals	(118,297)	(800,669)	-	-	(24,700)	(943,666)
<b>At 31 January 2020</b>	<b>14,196,448</b>	<b>6,805,323</b>	<b>1,133,473</b>	<b>8,986,488</b>	<b>-</b>	<b>31,121,732</b>
<b>Accumulated depreciation</b>						
At 1 February 2019	2,000,474	2,629,366	549,000	3,357,538	22,955	8,559,333
Charge for the year	3,129,103	1,759,059	245,004	1,661,653	1,745	6,796,564
Disposals	(118,297)	(800,669)	-	-	(24,700)	(943,666)
<b>At 31 January 2020</b>	<b>5,011,280</b>	<b>3,587,756</b>	<b>794,004</b>	<b>5,019,191</b>	<b>-</b>	<b>14,412,231</b>
<b>Net book amount at 31 January 2020</b>	<b>9,185,168</b>	<b>3,217,567</b>	<b>339,469</b>	<b>3,967,297</b>	<b>-</b>	<b>16,709,501</b>
Net book amount at 31 January 2019	8,576,228	3,335,441	450,498	3,652,182	1,745	16,016,094
<b>Company</b>						
	Leasehold Improvements £	Furniture and Fittings £	Office Equipment £	Computer Equipment £	Motor Vehicles £	Total £
<b>Cost</b>						
At 1 February 2019	10,576,702	5,575,042	999,287	6,941,118	24,700	24,116,849
Additions	3,738,043	1,646,023	130,557	1,922,843	-	7,437,466
Disposals	(118,297)	(800,669)	-	-	(24,700)	(943,666)
<b>At 31 January 2020</b>	<b>14,196,448</b>	<b>6,420,396</b>	<b>1,129,844</b>	<b>8,863,961</b>	<b>-</b>	<b>30,610,649</b>
<b>Accumulated depreciation</b>						
At 1 February 2019	2,000,474	2,496,446	548,881	3,337,698	22,955	8,406,454
Charge for the year	3,129,103	1,726,605	244,129	1,636,575	1,745	6,738,157
Disposals	(118,297)	(800,669)	-	-	(24,700)	(943,666)
<b>At 31 January 2020</b>	<b>5,011,280</b>	<b>3,422,382</b>	<b>793,010</b>	<b>4,974,273</b>	<b>-</b>	<b>14,200,945</b>
<b>Net book amount at 31 January 2020</b>	<b>9,185,168</b>	<b>2,998,014</b>	<b>336,834</b>	<b>3,889,688</b>	<b>-</b>	<b>16,409,704</b>
Net book amount at 31 January 2019	8,576,228	3,078,596	450,406	3,603,420	1,745	15,710,395

# Notes to the financial statements for the year ended 31 January 2020 (continued)

## 11. Inventories

	<b>Group</b> <b>31 January</b> <b>2020</b> £	<b>Group</b> <b>31 January</b> <b>2019</b> £	<b>Company</b> <b>31 January</b> <b>2020</b> £	<b>Company</b> <b>31 January</b> <b>2019</b> £
Raw materials	<b>1,886,514</b>	931,929	<b>1,886,514</b>	931,929
Finished goods and goods for resale	<b>142,264,426</b>	110,622,365	<b>142,264,426</b>	110,622,365
	<b>144,150,940</b>	111,554,294	<b>144,150,940</b>	111,554,294

An inventory provision of £3,256,319 (2019: £2,037,163) has been recorded, representing 2% (2019: 2%) of the gross value of inventory. The provision reflects management's best estimate of the net realisable value of inventory, where this is considered to be lower than the cost of the inventory.

The cost of inventories recognised as an expense and included in cost of sales amounted to £231,827,508 (2019: £194,535,976).

## 12. Trade and other receivables

	<b>Group</b> <b>31 January</b> <b>2020</b> £	<b>Group</b> <b>31 January</b> <b>2019</b> £	<b>Company</b> <b>31 January</b> <b>2020</b> £	<b>Company</b> <b>31 January</b> <b>2019</b> £
Trade receivables	<b>2,083,938</b>	1,380,762	<b>2,083,938</b>	1,380,762
Other receivables due within one year	<b>6,349,091</b>	5,284,165	<b>6,338,724</b>	5,284,165
Other receivables due after more than one year	<b>546,478</b>	558,478	<b>329,727</b>	341,727
Corporation tax	<b>974,702</b>	1,148,965	<b>974,702</b>	1,148,965
Prepayments and accrued income	<b>4,146,684</b>	4,897,383	<b>4,115,729</b>	4,881,216
	<b>14,100,893</b>	13,269,753	<b>13,842,820</b>	13,036,835

## 13. Cash and cash equivalents

	<b>Group</b> <b>31 January</b> <b>2020</b> £	<b>Group</b> <b>31 January</b> <b>2019</b> £	<b>Company</b> <b>31 January</b> <b>2020</b> £	<b>Company</b> <b>31 January</b> <b>2019</b> £
Cash at bank and in hand	<b>14,086,013</b>	10,024,300	<b>13,945,677</b>	9,976,726

Cash at bank and in hand includes cash received from credit card companies of £3,579,763 (2019: £2,880,988) within four workings days of the financial year end.

# **Notes to the financial statements for the year ended 31 January 2020 (continued)**

## **14. Current liabilities**

	<b>Group</b> <b>31 January</b> <b>2020</b> <b>£</b>	<b>Group</b> <b>31 January</b> <b>2019</b> <b>£</b>	<b>Company</b> <b>31 January</b> <b>2020</b> <b>£</b>	<b>Company</b> <b>31 January</b> <b>2019</b> <b>£</b>
Trade payables	<b>83,447,714</b>	57,867,359	<b>83,449,237</b>	57,879,688
Other taxation and social security	<b>2,094,257</b>	3,249,628	<b>1,968,024</b>	3,200,599
Corporation tax	<b>208,551</b>	123,819	-	-
Other payables	<b>7,397,210</b>	4,850,670	<b>7,397,210</b>	4,850,670
Inter-company balance	<b>92,136</b>	5,182,089	<b>1,371,243</b>	5,335,894
Asset-based lending	<b>50,407,429</b>	28,607,849	<b>50,407,429</b>	28,607,849
Accruals and deferred income	<b>15,239,885</b>	17,242,410	<b>15,237,389</b>	17,238,448
	<b>158,887,182</b>	117,123,824	<b>159,830,532</b>	117,113,148

Asset-based lending is a bank loan based on the company's assets (predominantly inventories) to determine the credit limit. All receivables are used to repay the loan. The availability of the credit limit can then be drawdown as and when required. The final repayment date of the Asset-based lending facilities is 5 November 2022.

## **15. Provisions for other liabilities**

	<b>Group</b> <b>31 January</b> <b>2020</b> <b>£</b>	<b>Group</b> <b>31 January</b> <b>2019</b> <b>£</b>	<b>Company</b> <b>31 January</b> <b>2020</b> <b>£</b>	<b>Company</b> <b>31 January</b> <b>2019</b> <b>£</b>
At 1 February 2019	-	-	-	-
Additions during the year	<b>1,778,964</b>	-	<b>1,778,964</b>	-
<b>At 31 January 2020</b>	<b>1,778,964</b>	-	<b>1,778,964</b>	-

# **Notes to the financial statements for the year ended 31 January 2020 (continued)**

## **16. Deferred tax assets**

### **Deferred tax provision**

	<b>Group</b> <b>31 January</b> <b>2020</b>	<b>Group</b> <b>31 January</b> <b>2019</b>	<b>Company</b> <b>31 January</b> <b>2020</b>	<b>Company</b> <b>31 January</b> <b>2019</b>
	£	£	£	£
Opening balance	-	(311,247)	-	(311,247)
Statement of comprehensive income charge	-	311,247	-	311,247
Closing balance	-	-	-	-
Accelerated capital allowances	-	(93,002)	-	(93,002)
Short term timing differences	-	93,002	-	93,002
Provision for deferred tax	-	-	-	-

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is considered more likely than not. The group has unrecognised deferred tax assets of £730,423 at 31 January 2020 (31 January 2019: £376,968) in respect of losses that can be carried forward against future taxable income for the period between one-year and an indefinite period of time.

## **17. Operating lease commitments**

At 31 January the group and the company had the following future minimum lease payments under non-cancellable operating leases for assets expiring as follows:

	<b>Group</b> <b>31 January</b> <b>2020</b>	<b>Group</b> <b>31 January</b> <b>2019</b>	<b>Company</b> <b>31 January</b> <b>2020</b>	<b>Company</b> <b>31 January</b> <b>2019</b>
	£	£	£	£
Payments due:				
Not later than one year	<b>7,111,390</b>	6,400,427	<b>6,852,782</b>	6,124,427
Later than one year and not later than five years	<b>21,738,576</b>	27,495,155	<b>21,738,576</b>	27,236,547
Later than five years	<b>9,134,776</b>	15,476,406	<b>9,134,776</b>	15,476,406
	<b>37,984,742</b>	49,371,988	<b>37,726,134</b>	48,837,380

## **18. Related party transactions**

There were no related party transactions during the year (2019: Nil).

## Notes to the financial statements for the year ended 31 January 2020 (continued)

### 19. Called up share capital

#### Group and company

	31 January 2020 £	31 January 2019 £
<b>Allotted and fully paid</b>		
6,928,575 (2019: 6,928,575) ordinary shares of £0.01 each	69,286	69,286

Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

### 20. Cash generated from operations

#### Group

	Year ended 31 January 2020 £	Year ended 31 January 2019 £
(Loss)/Profit before taxation	(5,600,130)	1,825,342
Adjustments for:		
Depreciation	6,796,564	3,365,960
Amortisation	790,444	1,134,113
Finance costs	1,896,263	636,870
Foreign exchange (gains)/losses	(448,248)	159,370
Changes in working capital:		
Increase in trade receivables	(1,005,403)	(4,387,967)
Increase in trade payables	43,457,590	43,667,434
Increase in inventories	(32,596,646)	(27,313,352)
Cash generated from operating activities	13,290,434	19,087,770

### 21. Contingent liabilities

The group has contingent liabilities in the form of guarantees for supplier payments to the value of £165,600 (31 January 2019: £165,600) provided by its banker. The group implemented a Customs Warehouse during the year. The contingent liability for deferred duty at 31 January 2020 was £1,103,017 (31 January 2019: £738,031).

### 22. Financial commitments

At the year end the group do not have any outstanding forward foreign exchange foreign contracts (31 January 2019: Nil).

**Notes to the financial statements for the year ended 31 January 2020 (continued)****23. Ultimate parent undertaking and controlling party**

The immediate parent undertaking is MF Bidco Limited, a company incorporated in United Kingdom.

The parent undertaking is MF Topco Limited, a company incorporated in Guernsey.

The ultimate parent undertaking is MF Topholdings Sarl, a company incorporated in Luxembourg.

MF Topholdings Sarl is also the ultimate controlling party over the company by virtue of his controlling interest in the shareholding of the company.

**24. Subsidiaries and related undertakings**

<b>Name</b>	<b>Address of registered office</b>	<b>Nature of business</b>	<b>Direct holdings</b>
Matchesfashion.com Hong Kong Limited	13/F East Town Building, 41 Lockhart Road, Wan Chai, Hong Kong	Customer service	100% ordinary shares
Matchesfashion Inc.	251 Little Falls Drive, Wilmington, New Castle County, Delaware 19808	Luxury Clothing Retailer	100% ordinary shares

All the above subsidiaries are included in the consolidation.

**25. Post Balance Sheet events**

In light of the COVID-19 challenges, the group decided to pause its physical presence in New York, our physical Retail stores in London have been closed since 23 March 2020 and many events planned cancelled resulting in the Furloughing of 29% of our employees.

Our Distribution Centre has continued to fulfil orders whilst ensuring safety for our colleagues and customers.

The business has been fully supported by its private equity investor Apax Partners, who have provided additional funding of £35 million into the group in April 2020.